

AMENDED IN ASSEMBLY MAY 17, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1433

Introduced by Assembly Member Horton

February 23, 2001

~~An act to amend Sections 401.15, 469, 1605, 4986, and 5096 of, and to add Section 471 to, An act to amend Section 469 of the Revenue and Taxation Code, relating to taxation.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1433, as amended, Horton. Property taxation: audits: review and equalization.

Existing property tax law requires the assessor to audit the books and records of a profession, trade, or business at least once every 4 years in the case of a taxpayer, engaged in a profession, trade, or business, who owns, claims, possesses, or controls locally assessable trade fixtures and business tangible property with a full value of at least \$400,000, and permits an audit of the personal property valued at less than \$400,000.

Existing law further provides, ~~among other things,~~ in the case ~~in which the~~ *of a* mandatory audit for any year discloses property subject to escape assessment, that the original assessment of property of the assessee at the location of the *of a taxpayer engaged in a* profession, trade, or business, for that year is, except as provided, subject to review, equalization, and adjustment by the county board of equalization or assessment appeals board *specified procedures and conditions with respect to escape assessments and certain duties on the part of the assessor.*

This bill would apply these procedures, *conditions, and duties* to both mandatory and discretionary audits. By imposing new duties upon local agencies, this bill would impose a state-mandated local program. This bill would also make technical, conforming changes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. — Section 401.15 of the Revenue and Taxation~~
- 2 *SECTION 1. Section 469 of the Revenue and Taxation Code*
- 3 *is amended to read:*
- 4 469. (a) In any case in which locally assessable trade fixtures
- 5 and business tangible personal property owned, claimed,
- 6 possessed, or controlled by a taxpayer engaged in a profession,
- 7 trade, or business has a full value of four hundred thousand dollars
- 8 (\$400,000) or more, the assessor shall audit the books and records
- 9 of that profession, trade, or business at least once each four years.
- 10 If the board determines the value of property pursuant to Section
- 11 15640 of the Government Code, that determination may be
- 12 deemed an audit by the assessor for purposes of this section.
- 13 ~~Upon~~
- 14 (b) *With respect to any audit of the books of a profession, trade,*
- 15 *or business, regardless of the full value of the trade fixtures and*
- 16 *business tangible personal property owned, claimed, possessed, or*
- 17 *controlled by the taxpayer, the following shall apply:*
- 18 (1) *Upon* completion of an audit of the taxpayer's books and
- 19 records, the taxpayer shall be given the assessor's findings in

1 writing with respect to data that would alter any previously
2 enrolled assessment.

3 **Equalization**

4 (2) *Equalization* of the property by a county board of
5 equalization or assessment appeals board pursuant to Chapter 1
6 (commencing with Section 1601) of Part 3 of this division shall not
7 preclude a subsequent audit and shall not preclude the assessor
8 from levying an escape assessment in appropriate instances, but
9 shall preclude an escape assessment being levied on that portion
10 of the assessment that was the subject of the equalization hearing.

11 **If**

12 (3) *If* the result of an audit for any year discloses property
13 subject to an escape assessment, then the original assessment of all
14 property of the assessee at the location of the profession, trade, or
15 business for that year shall be subject to review, equalization and
16 adjustment by the county board of equalization or assessment
17 appeals board pursuant to Chapter 1 (commencing with Section
18 1601) of Part 3 of this division, except in those instances when the
19 property had previously been equalized for the year in question.

20 **If**

21 (4) *If* the audit for any particular tax year discloses that the
22 property of the taxpayer was incorrectly valued or misclassified
23 for any cause, to the extent that this error caused the property to be
24 assessed at a higher value than the assessor would have entered on
25 the roll had the incorrect valuation or misclassification not
26 occurred, then the assessor shall notify the taxpayer of the amount
27 of the excess valuation or misclassification, and the fact that a
28 claim for cancellation or refund may be filed with the county as
29 provided by Sections 4986 and 5096.

30 *SEC. 2. Notwithstanding Section 17610 of the Government*
31 *Code, if the Commission on State Mandates determines that this*
32 *act contains costs mandated by the state, reimbursement to local*
33 *agencies and school districts for those costs shall be made*
34 *pursuant to Part 7 (commencing with Section 17500) of Division*
35 *4 of Title 2 of the Government Code. If the statewide cost of the*
36 *claim for reimbursement does not exceed one million dollars*
37 *(\$1,000,000), reimbursement shall be made from the State*
38 *Mandates Claims Fund.*

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**All matter omitted in this version of the
bill appears in the bill as introduced in the
Assembly, February 23, 2001 (JR 11)**

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